
Tensions in the Middle East: Macroeconomic and Financial Impacts for Latin America

March 2026

Highlights



Tensions in the Middle East are entrenching as a persistent source of volatility, raising risks to global markets and reigniting the possibility of international trade bottlenecks.



The Persian Gulf plays a central role in the global **energy supply**, while the Strait of Hormuz is positioned as a critical node not only for energy transport, but also for the flow of agricultural inputs.

For now, two potential supply shocks are emerging – energy and petrochemical – that revive the risk nervousness seen at the early stages of the Russia–Ukraine conflict.



Latin America's direct trade exposure with the Persian Gulf countries is limited, accounting for just 2.0% of the region's total trade.

Oil prices are once again positioned as a relevant source of uncertainty, given the heterogeneity of their effects in Latin America. While some South American countries would benefit from higher prices, Mexico and Central America would face greater inflationary pressures and a deterioration of their external accounts.



In **financial markets**, credit spreads have begun to react to the conflict, moving away from their historic lows. However, the movement so far, is limited and remains well below the stress episodes recorded in 2022.

Energy commodity futures have **reacted strongly to the upside**, reflecting latent risks to global supply. However, the market continues to internalize this shock as transitory.

First Direct effect of the **Conflict in the Middle East**

March 2026

Shock 1: Oil and gas market

- 20% of global oil consumption and 20% of global LNG supply pass through the Strait of Hormuz.
- Asia could be one of the regions most exposed to potential impacts. 90% of the oil and 86% of the gas that transit are directed to the Asian market.
- For India and China, it is a key route in their LNG imports.
- The Middle East's oil exports are concentrated in the Strait. Between 70% and 90% of the oil in this area circulates along this route.
- Iran is a key player in the oil market. It produces about 3.2 mbd*, exporting about 50% of its production.
- Approximately 90% of the Iranian crude exported is destined for China. This represents 13% of its total oil imports.

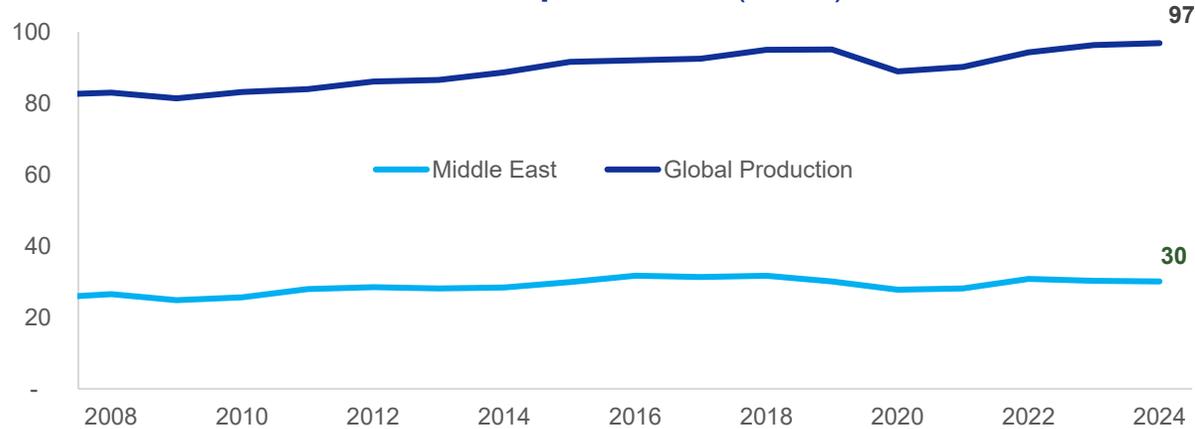


Source: Image taken from BBC – S&P–Economic Research

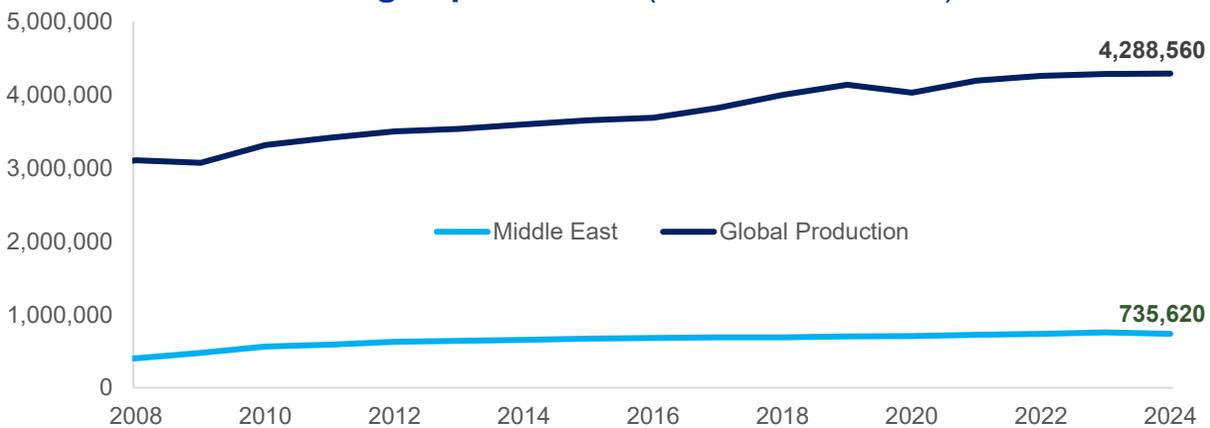
*Millions of barrels per day.

Supply shock: Risks in global markets and the latent possibility of bottlenecks.

World oil production(mbd*)



Global gas production(bn standard cu m)



Source: OPEC – Energy Institute – S&P Economic Research. *Millions of barrels per day.

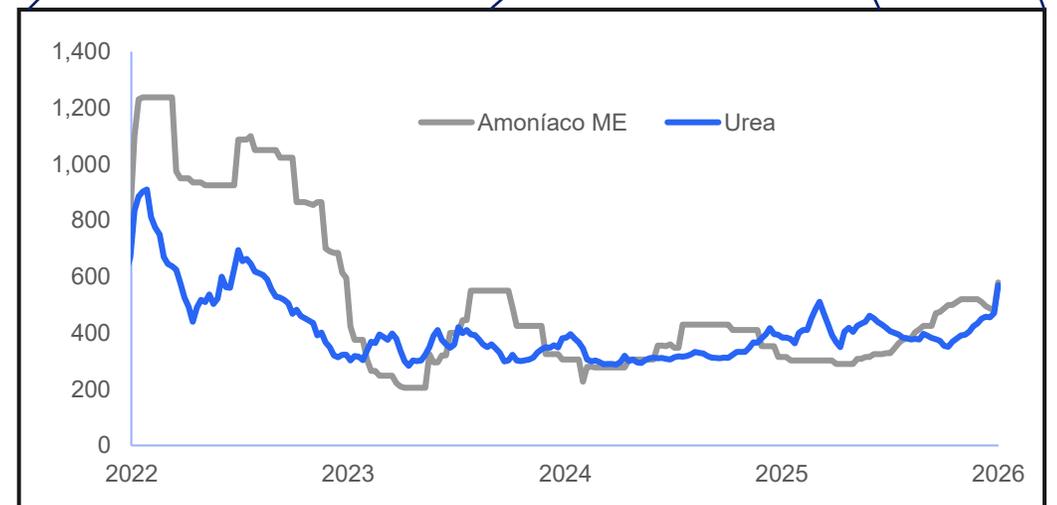
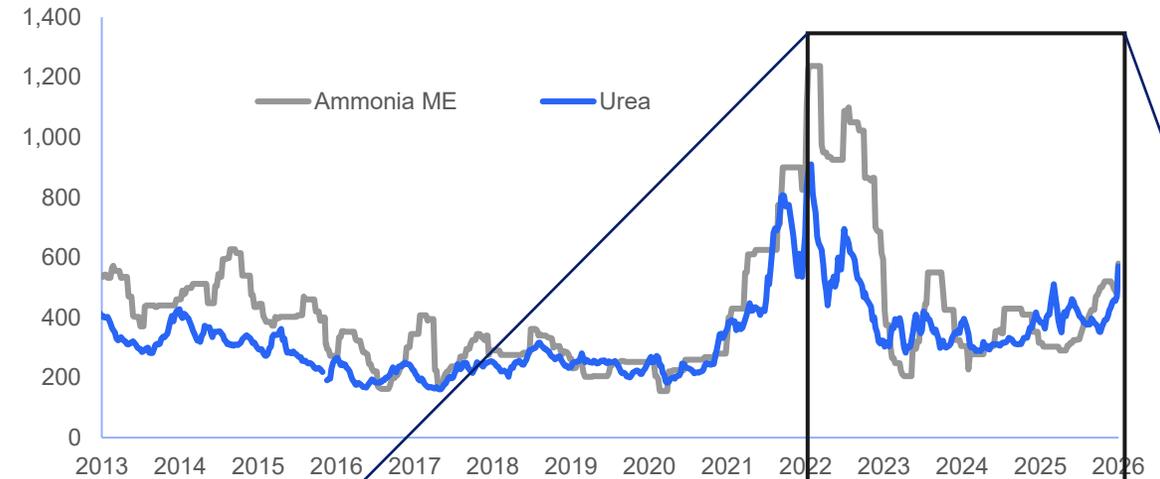
Shock 1: Oil and gas market

- The Persian Gulf plays a fundamental role in the supply of oil and gas worldwide.
- In the case of oil, the production of this bloc of countries amounts to almost 30 mbd, representing almost 1/3 of global production.
- In the specific case of Iran, its production amounts to around 3.2 mbd, equivalent to 4% of world production. While exporting about 1.5 mbd.
- As for gas, Persian Gulf production accounts for nearly 17% of the total.
- Iran and Qatar account for almost 64% of the region's gas production.
- Extensive disruption or irreparable damage to infrastructure would not only impact the GDP of these countries, but would also generate distortions in the energy market.

Shock 2: Petrochemicals, fertilizers and food

- Another question that arises with the conflict is the effects on the chemical sector.
- The Strait of Hormuz is a key pathway for the global fertilizer market, especially for: ammonia, urea, sulfur, phosphates, and natural gas.
- In this case, Qatar has a significant weight in the production of fertilizers, reaching almost 14% of world production.
- In addition, about 1/4 of the world's nitrogen production moves through the Strait of Hormuz waterway.
- The prices of fertilizers such as urea and ammonia have shown significant rebounds in recent days.
- In the case of urea, the price reaches levels not seen since 2022, when the conflict between Russia and Ukraine began.

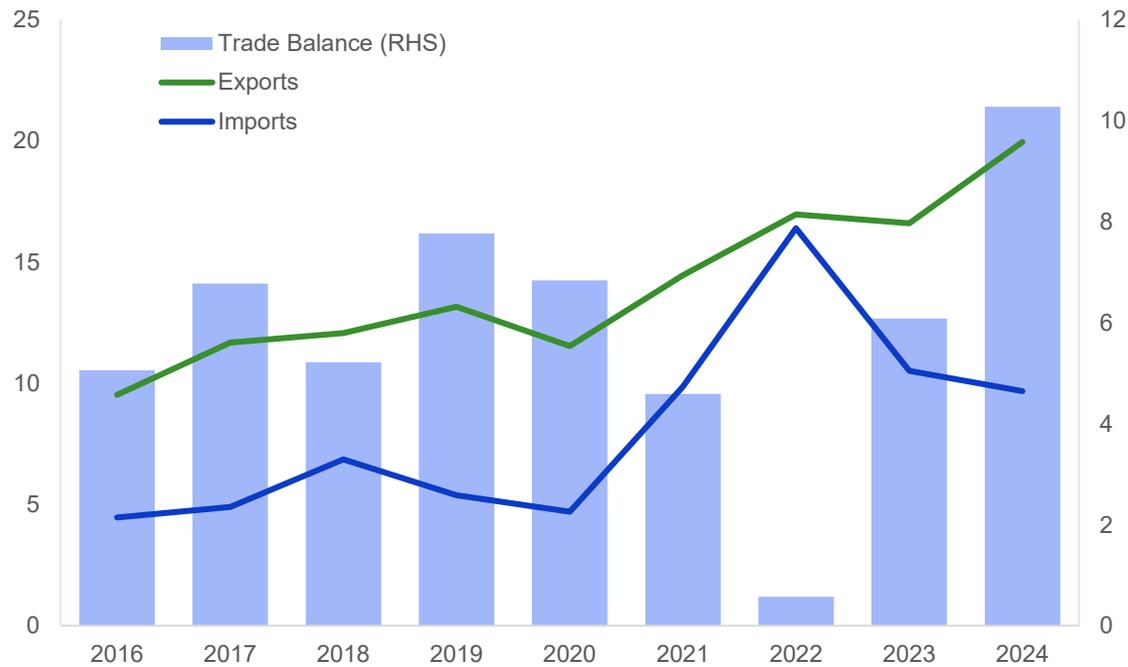
Urea vs. Ammonia ME* (USD/T)



Latin America: Contained direct risks. But indirect effects would have heterogeneous effects.

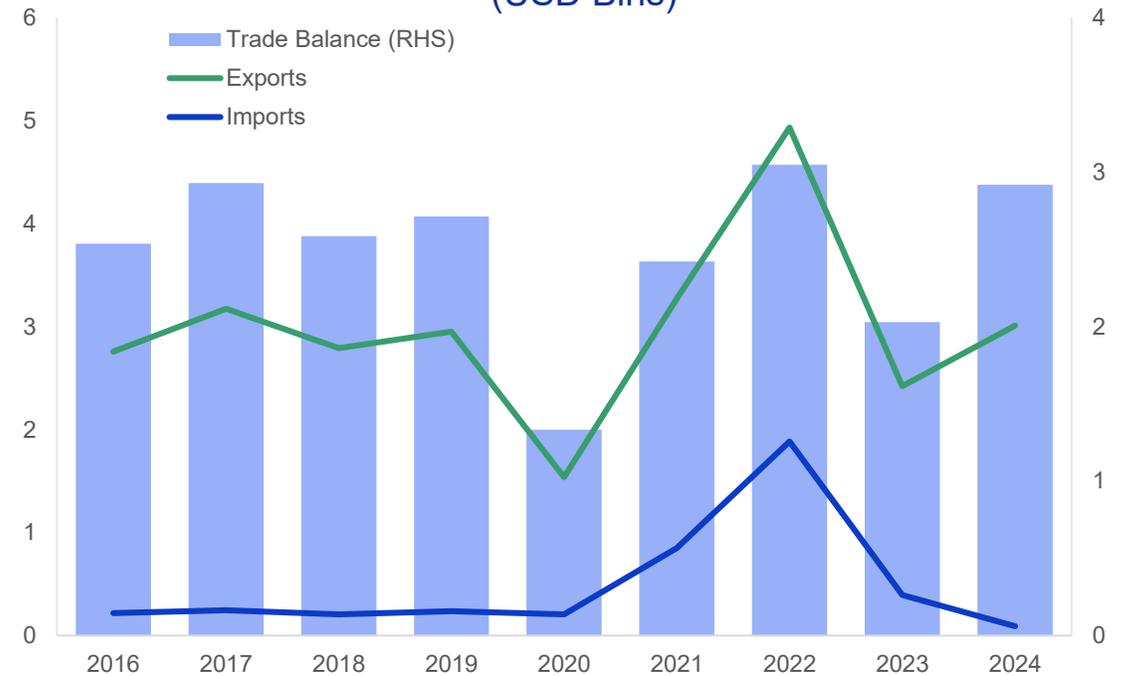
LatAm's direct trade exposure with Iran and the Persian Gulf countries is limited, accounting for only about 2.3% of LatAm's foreign trade (~US\$32 Blns)

LatAm's trade relationship with Persian Gulf countries (USD Blns)



	2016	2017	2018	2019	2020	2021	2022	2023	2024
Exports to the Gulf (% of total exports by LatAm)	1.08%	1.18%	1.12%	1.25%	1.22%	1.21%	1.20%	1.19%	1.37%
Imports to the Gulf (% of total imports by LatAm)	0.49%	0.50%	0.62%	0.51%	0.52%	0.80%	1.09%	0.75%	0.67%

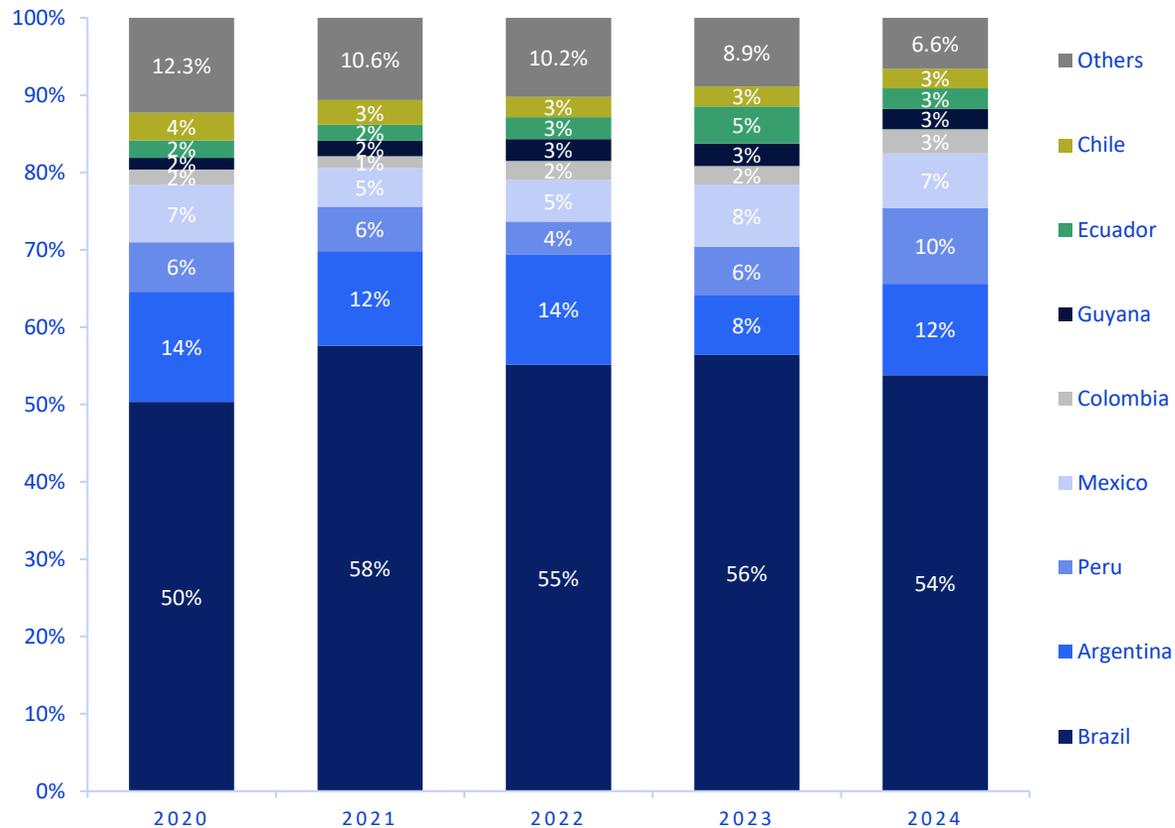
LatAm's trade relationship with Iran (USD Blns)



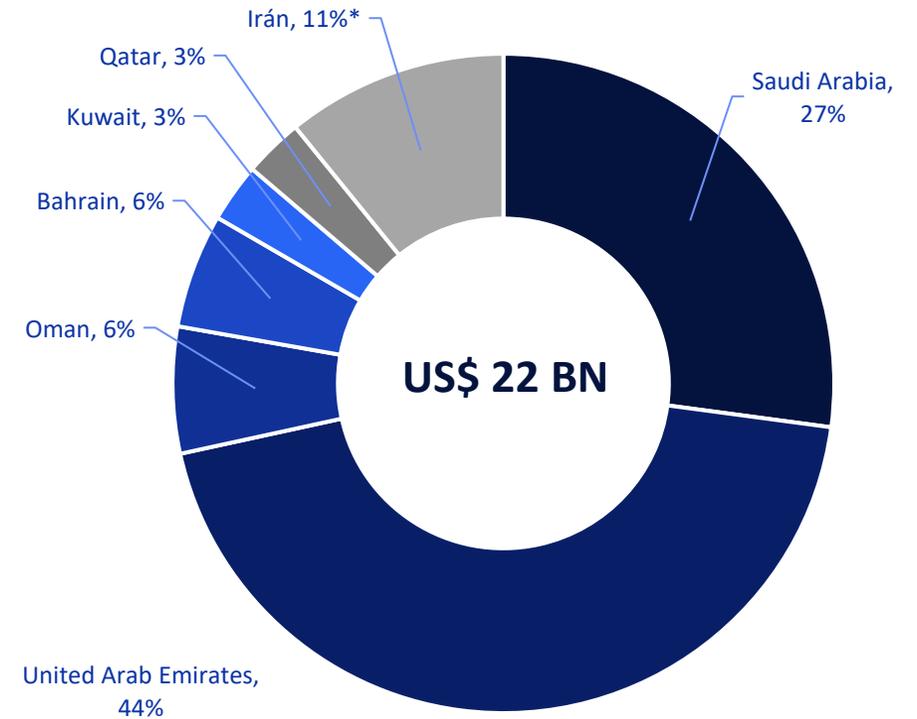
	2016	2017	2018	2019	2020	2021	2022	2023	2024
Exports to Iran (% of total exports by LatAm)	0.31%	0.32%	0.26%	0.28%	0.16%	0.27%	0.35%	0.17%	0.21%
Imports to Iran (% of total imports by LatAm)	0.02%	0.02%	0.02%	0.02%	0.02%	0.07%	0.13%	0.03%	0.01%

LatAm exports to the Gulf and Iran reach about US\$22 Blns (2% of the total exported by LatAm), with Brazil accounting for just over half of regional shipments. The United Arab Emirates and Saudi Arabia receive 71% of these exports.

Exports by LatAm countries to the Persian Gulf
(% of total by country)



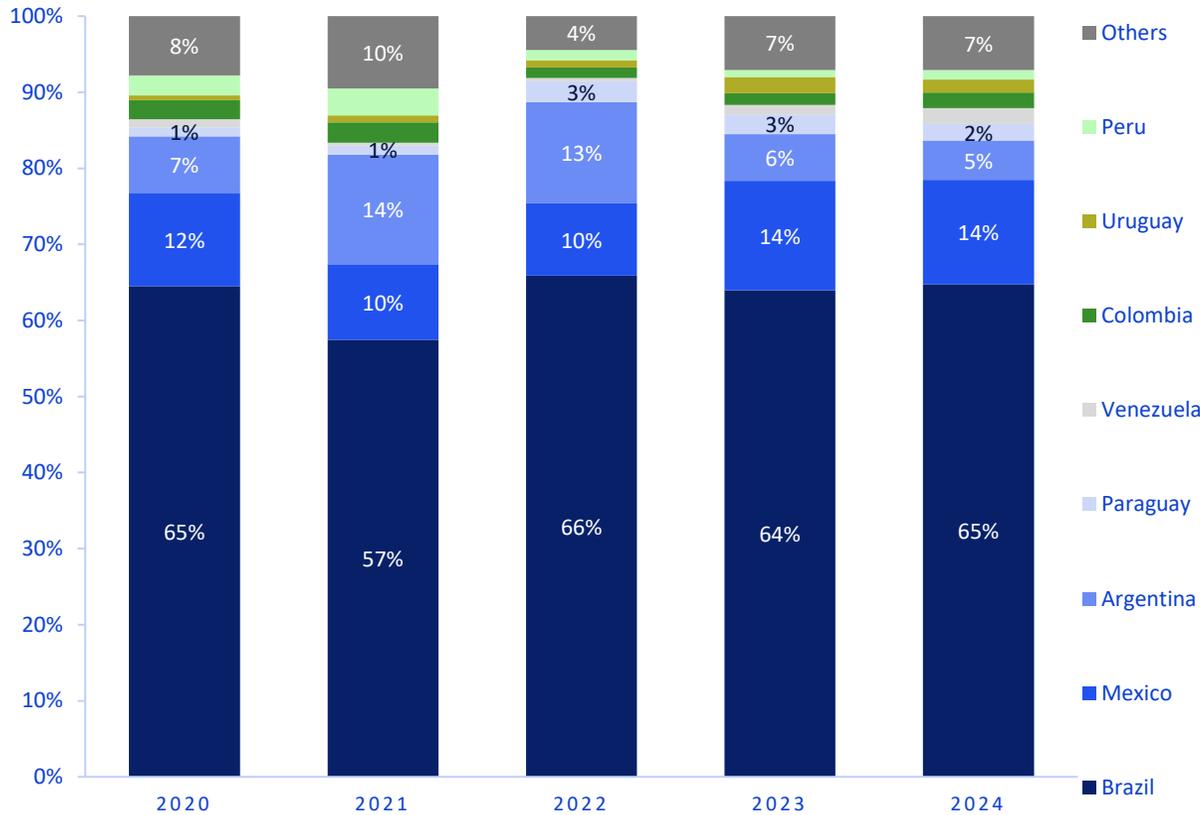
Destination countries for LatAm exports
(% of total to the Persian Gulf)



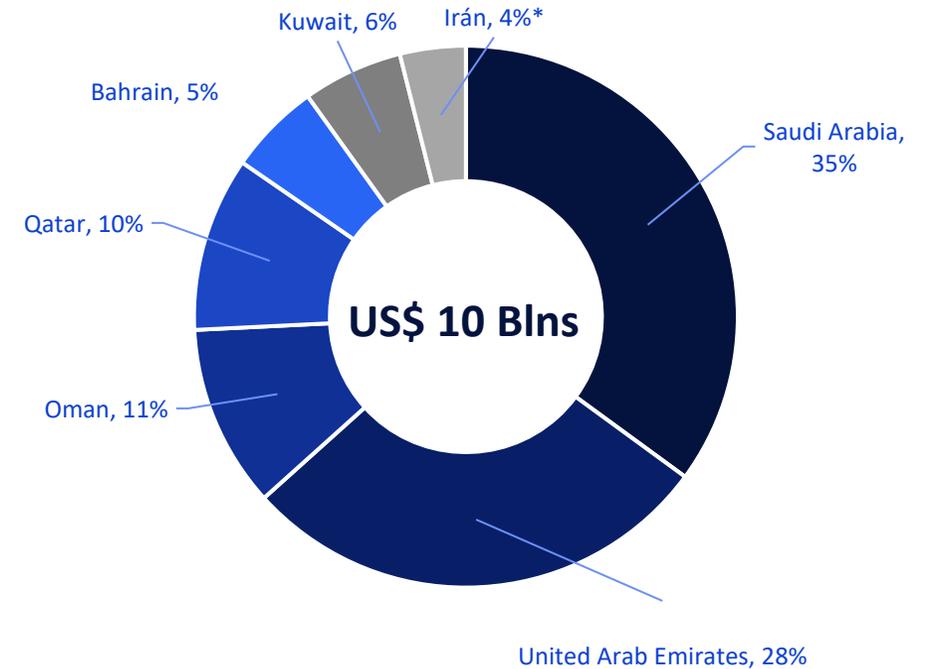
Source: Trademap – Economic Research . *Based on data reported in 2023

LatAm imports from the Gulf are around USD\$ 10 Blns, concentrated in energy and petroleum derivatives. Brazil accounts for 2/3 of these imports, while by countries' origin Saudi Arabia represents 35% and Iran a limited share of 4%.

Imports into LatAm from Persian Gulf countries
(% of total by country)



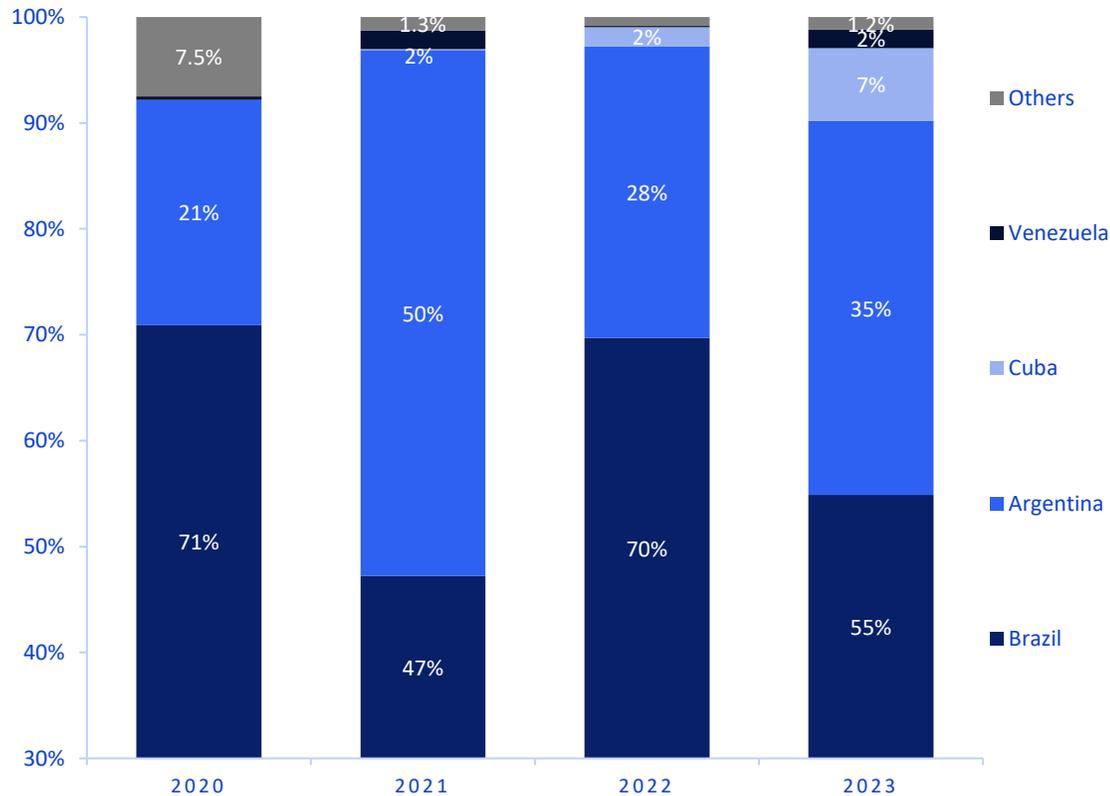
Countries of origin of LatAm imports
(% of total from the Persian Gulf)



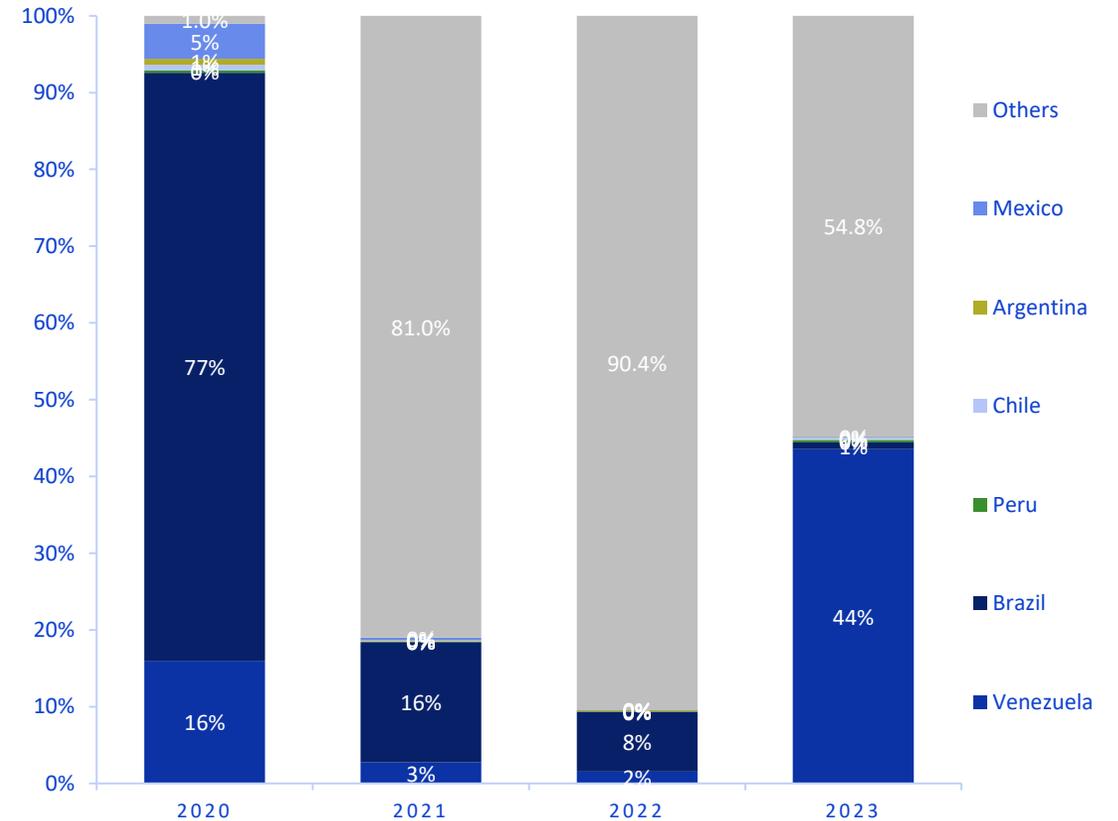
Source: Trademap – Economic Research . *Based on data reported in 2023

The information available on the bilateral relationship between LatAm and Iran is limited. The countries within the region that trade with Iran would be a few because of the sanctions in place.

Exports by LatAm countries to Iran*
(% of total by country)

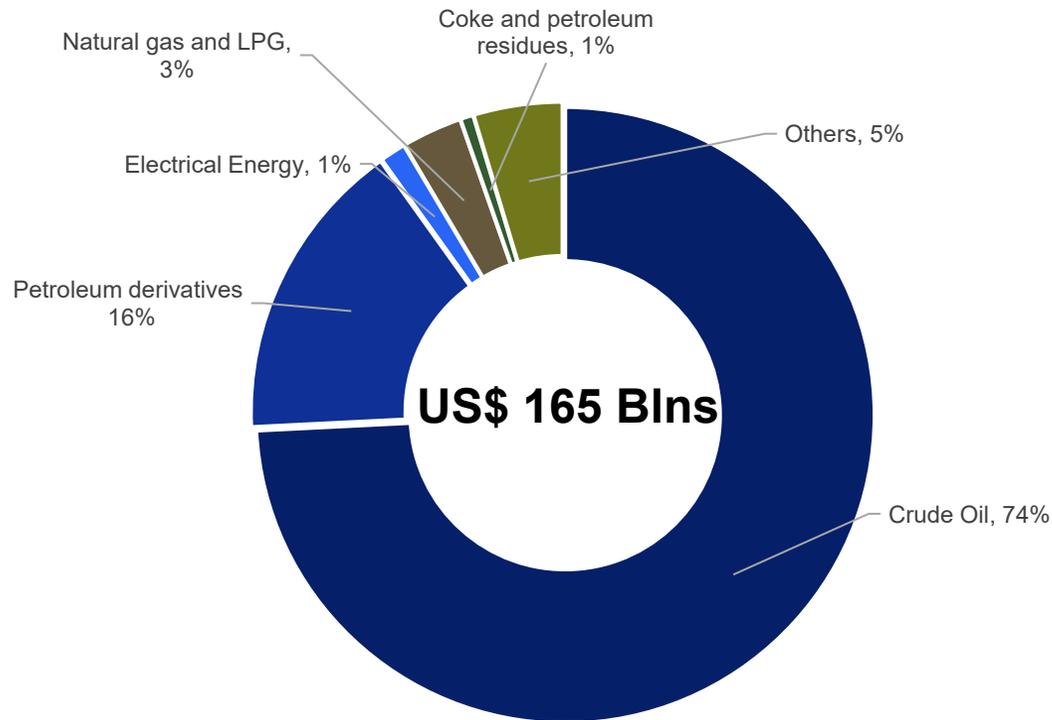


LatAm imports from Iran*
(% of total by country)

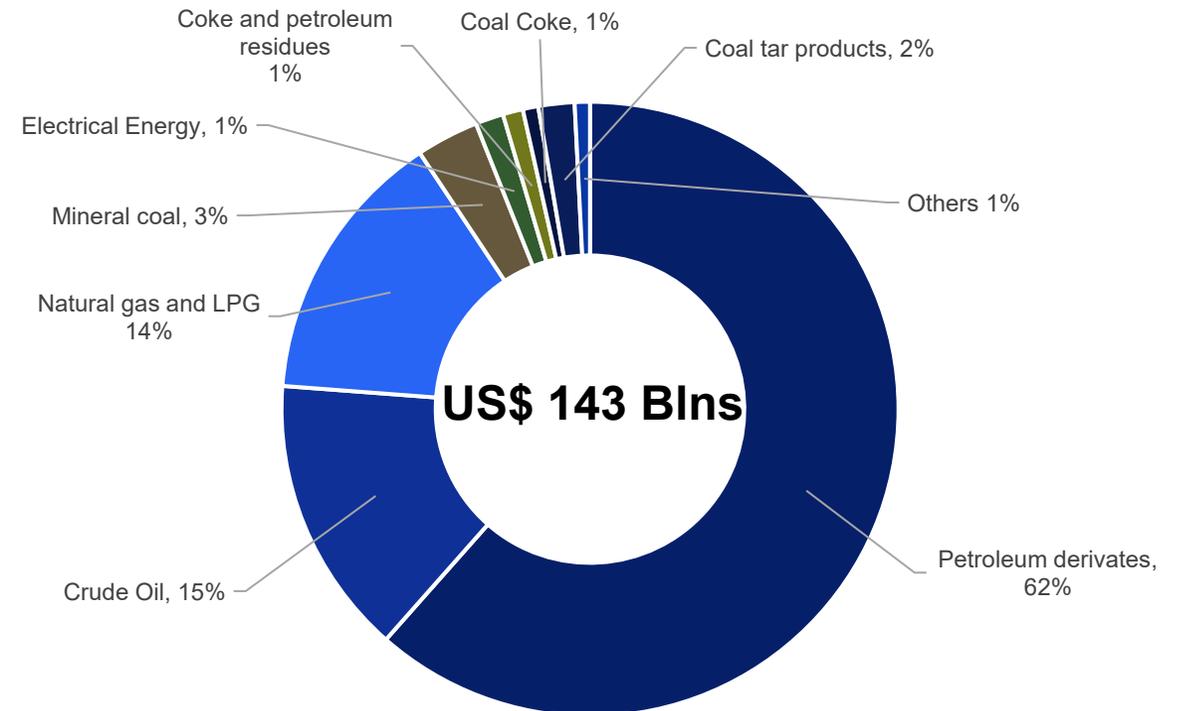


LatAm is a net exporter of fuels, with exports value at around US\$ 165 Blns dominated by oil. However, the gains would occur in few LatAm countries, so the improvement in the terms of trade would not be widespread.

LatAm fuel exports (%)

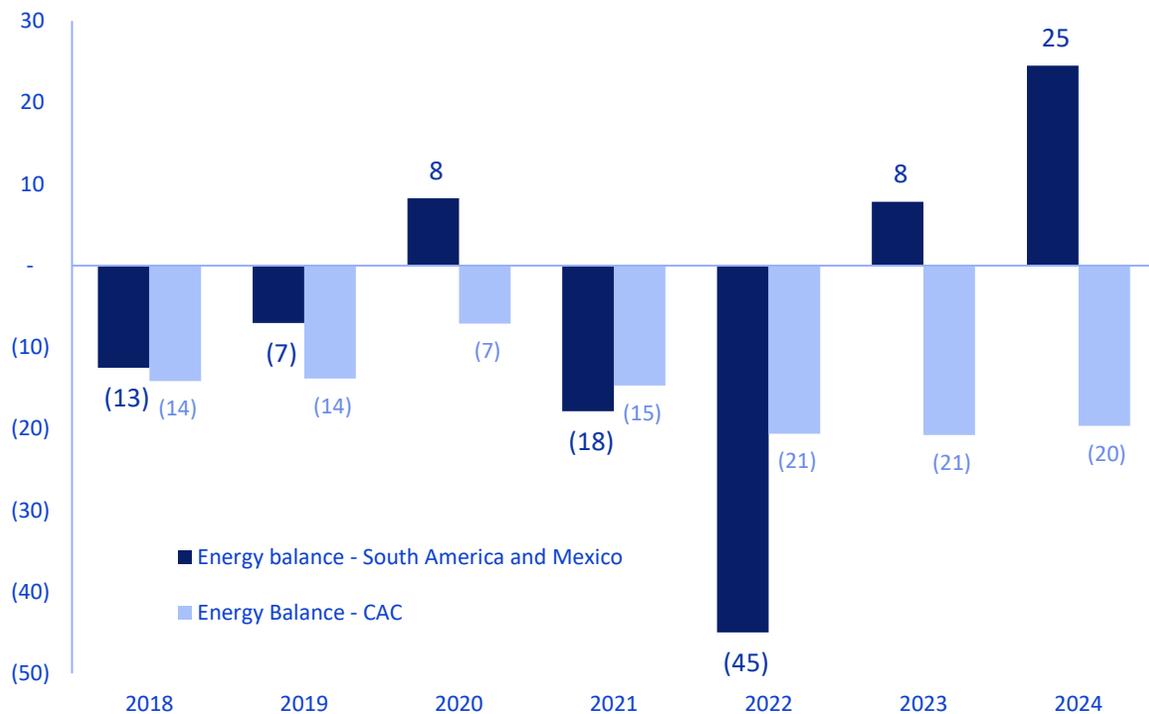


Fuel imports in LatAm (%)

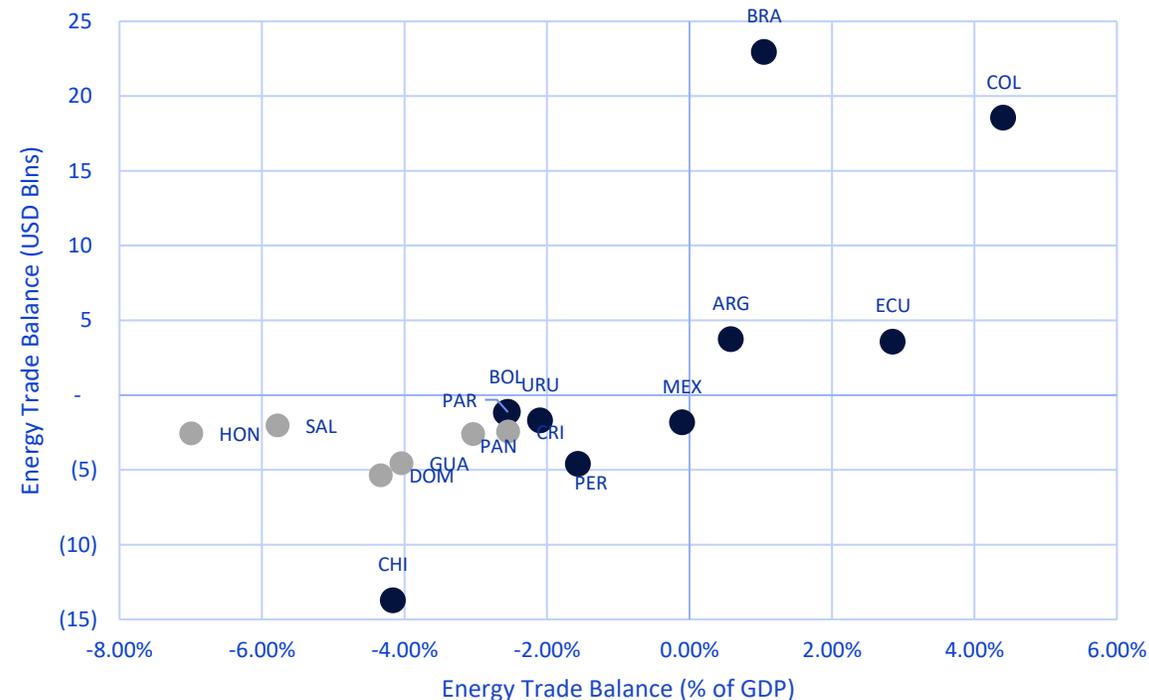


Higher oil prices generate benefits in the external accounts, mainly in some South American countries. However, it has negative effects in Central American countries, Mexico and Chile.

Latin American Energy Balance (USD Blns)



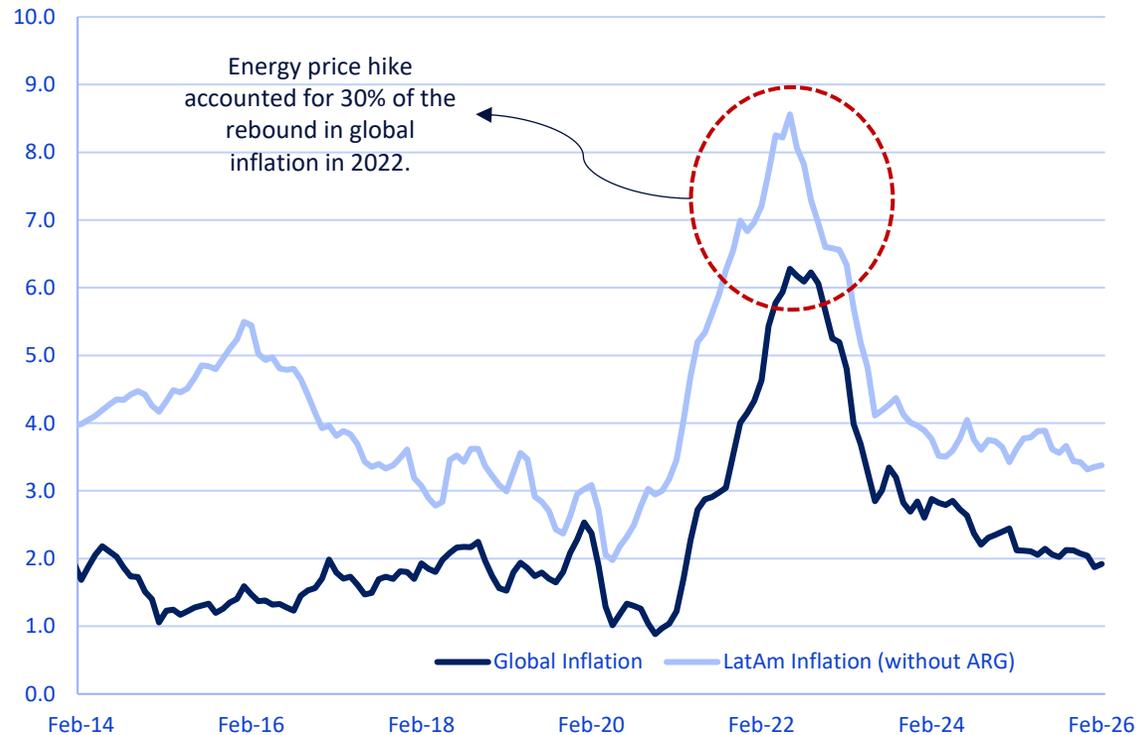
Latin American Energy Balance 2024 (USD Blns, % of GDP)



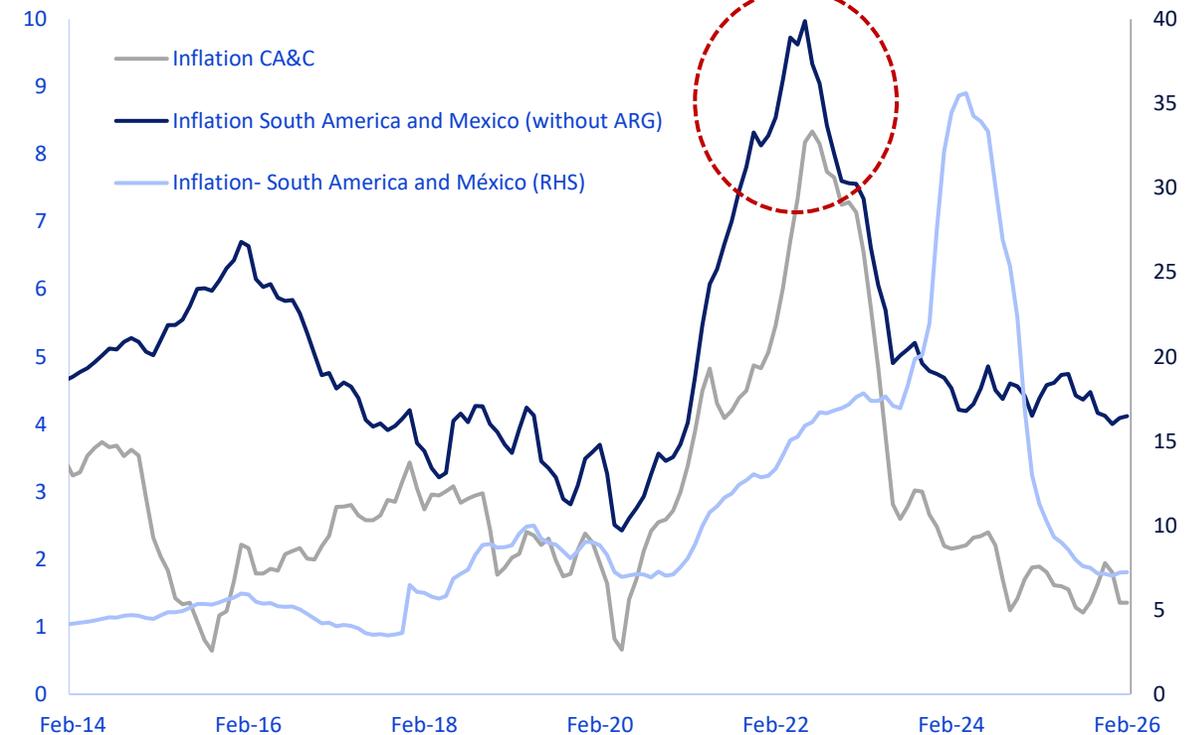
- Oil prices emerge as a source of uncertainty, given the heterogeneity of their effects in the region. On one side, the energy balance of South America has shown an improvement in recent years, it has been mainly explained by Argentina and Brazil.
- In contrast, a scenario of higher oil prices tends to generate inflationary pressures and a deterioration of the external accounts in the countries of Central America and Mexico, economies that are structurally more dependent on energy imports.

Inflation is emerging as an additional risk to monitor as long as price distortions persist in the markets.

Inflation: Global vs. Latin America (%)



Latin American inflation by region (%)



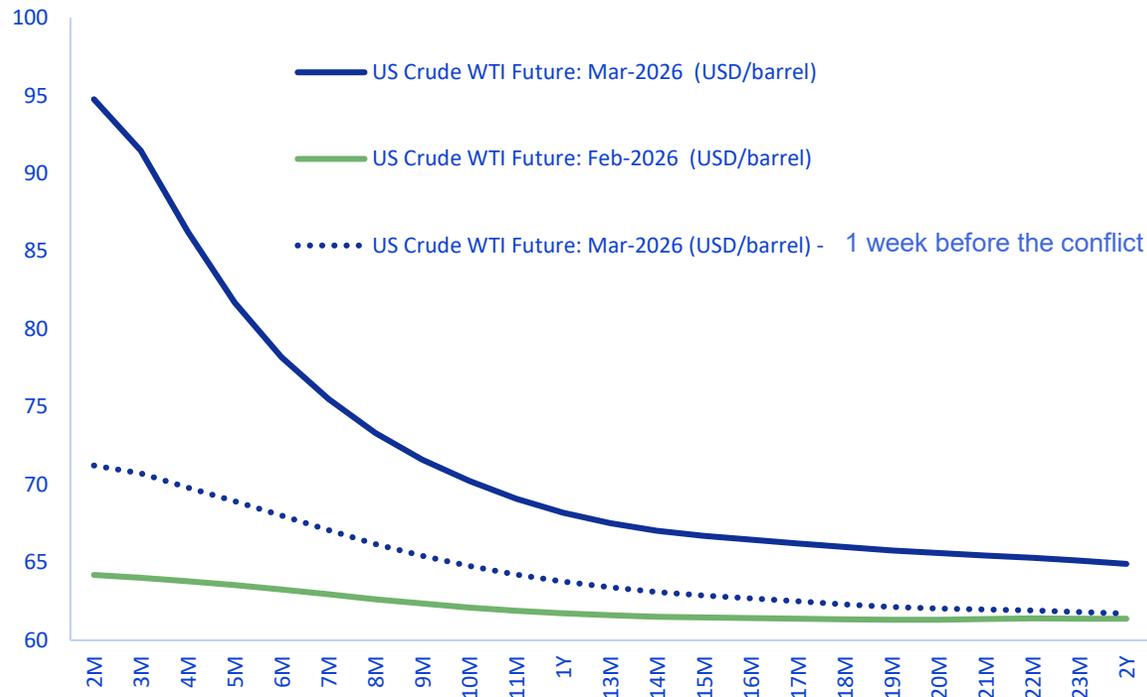
- Tensions in the Middle East introduce collateral inflationary risk on a regional and global scale.
- This scenario would have major implications for the direction and timing of monetary policy at the global level and could postpone the normalization (easing) of the interest rate in the US.
- According to the IMF, for every sustained 10% increase in energy prices over a year, global inflation would rise +40bps. Thus, the shock in energy prices explained 30% of the rise in inflation during 2022, i.e. about 60 basis points of inflation that year.

Source: Bloomberg – IMF – Economic Research . *The calculation of inflation in Latin America is based on the relative weight of each country in the region.

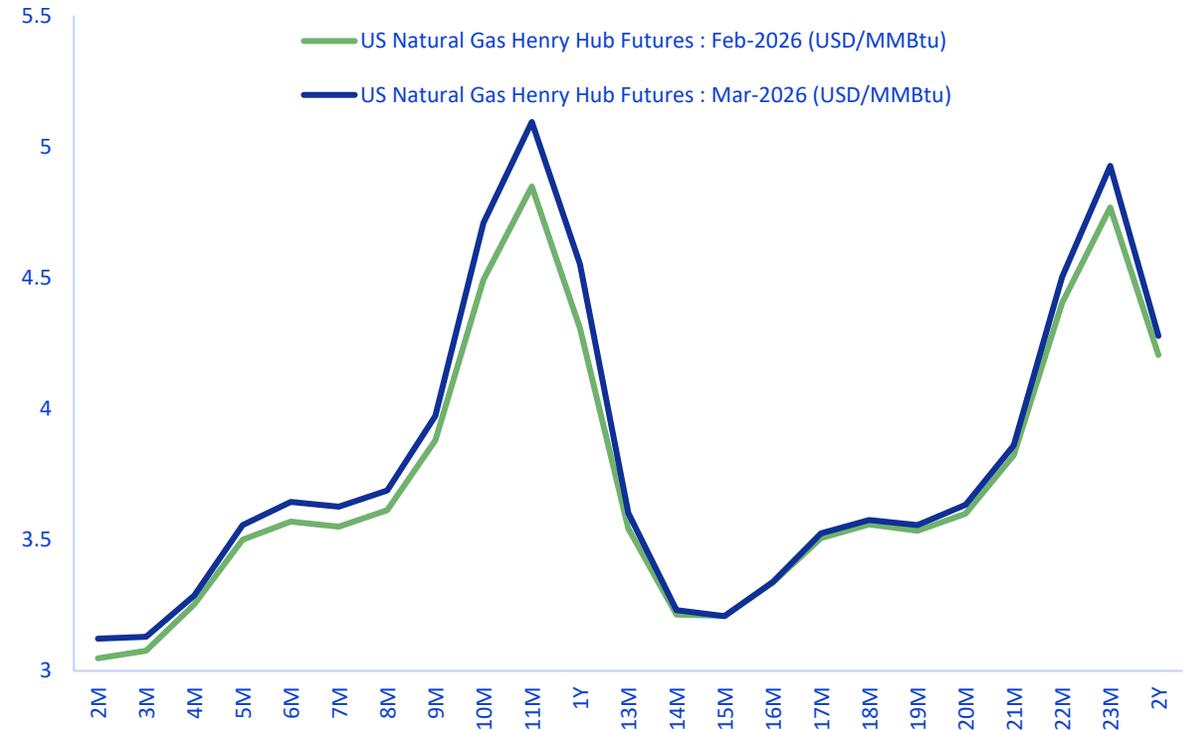
Effects on the markets: increased risk aversion and the reviving the nervousness seen in 2022.

The reaction of the markets has not been long in coming. Oil managed to break above the USD100 barrier, while gas also reacts to the upside. However, the market pricing in a temporary effect on price.

Petróleo WTI Futures (USD/barrel)

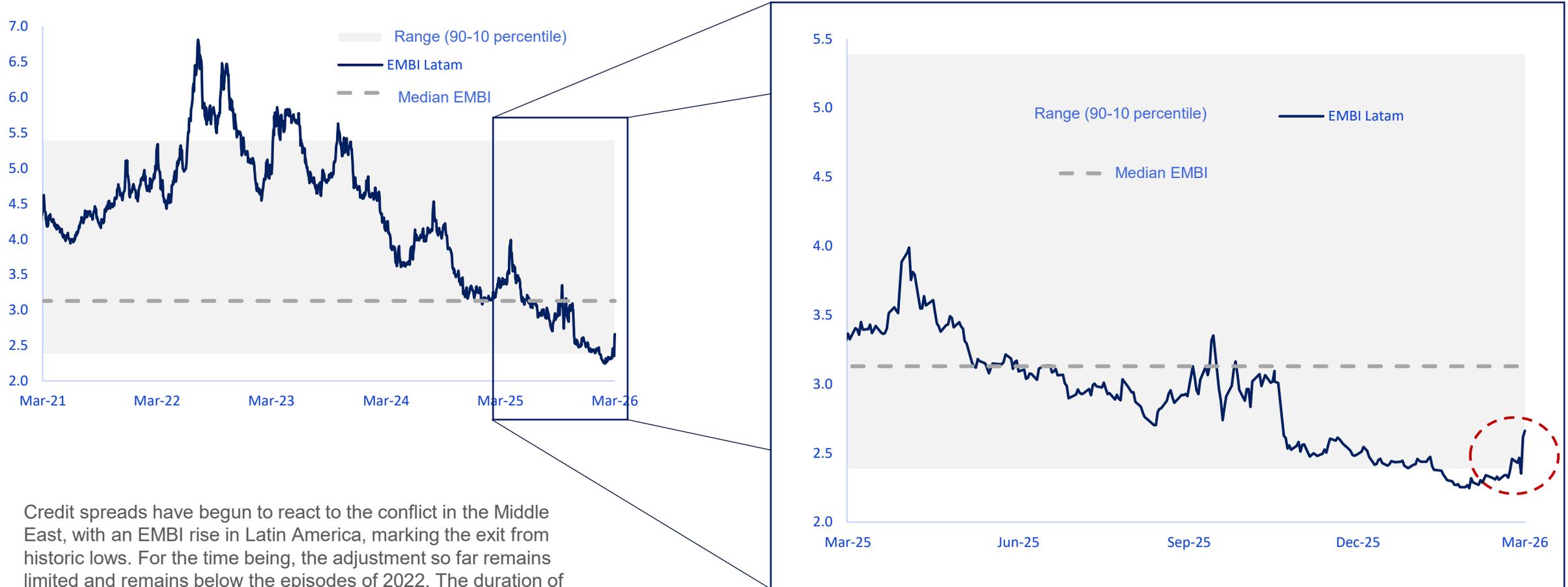


Gas Natural - Henry Hub Futures (USD/MMBtu)



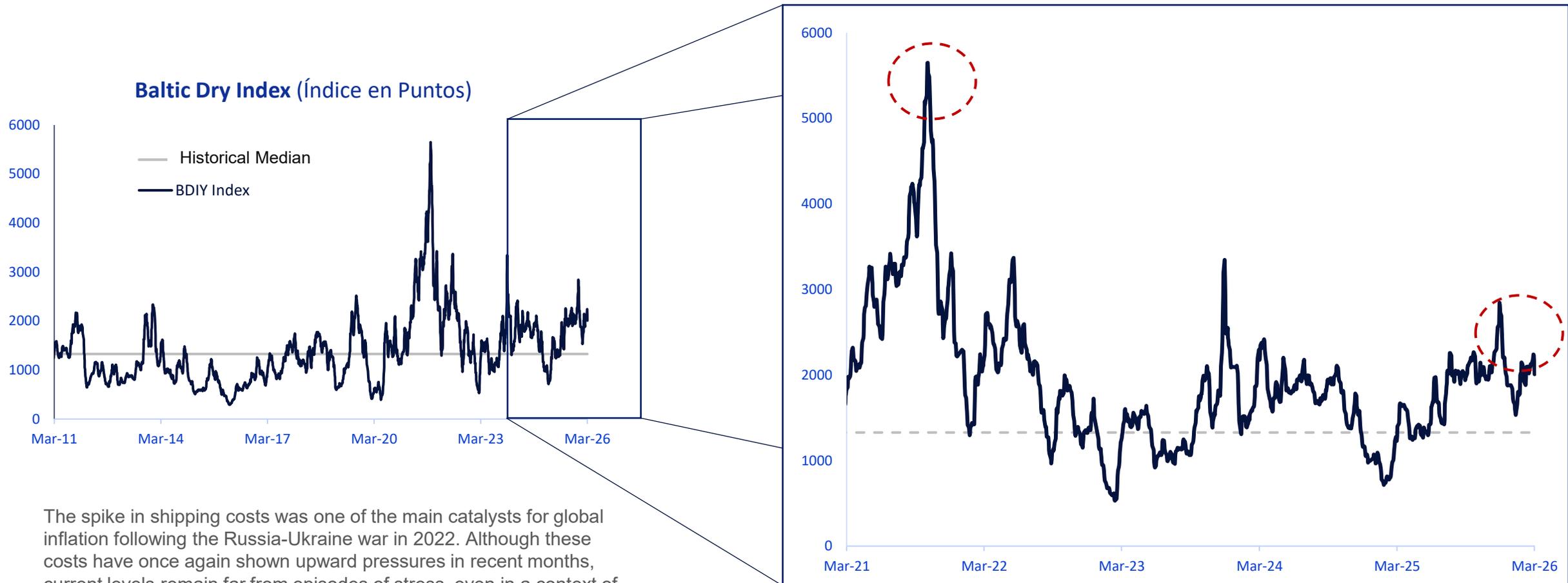
- The reaction of the markets has been immediate. Both, oil and gas futures have been pressured higher.
- Oil has momentarily surpassed the USD100 barrier.
- However, the market continues to internalize this shock as transitory, with expectations of a limited impact on energy prices over time.

Credit spreads react to the Middle East conflict. EMBI in Latin America is no longer at its minimum. However, the rebound is not yet comparable to what was seen in 2022.



Credit spreads have begun to react to the conflict in the Middle East, with an EMBI rise in Latin America, marking the exit from historic lows. For the time being, the adjustment so far remains limited and remains below the episodes of 2022. The duration of the conflict will be key in the reaction of the spreads.

Maritime transport costs have rebounded so far this year, but still not reaching what was observed with the war between Russia and Ukraine.



The spike in shipping costs was one of the main catalysts for global inflation following the Russia-Ukraine war in 2022. Although these costs have once again shown upward pressures in recent months, current levels remain far from episodes of stress, even in a context of relevant disruptions on key routes such as the Strait of Hormuz

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